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CENTRAL PACIFIC RAILROAD

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CENTRAL PACIFIC RAILROAD.

COPY LETTER in duplicate of 18 June, 1898,

HON. JOHN T. DOYLE

TO

F. G. BANBURY, ESQ., M.P.

AND

WALTER MORSHEAD, ESQ.,

And the Enclosures therein referred to.

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COPY LETTER of 18 June, 1898.

Hon. JOHN T. DOYLE to F. G. BANBURY, Esq., M.P., and WALTER MORSHEAD, Esq.

MENLO PARK, CALIFORNIA,
June 18*th*, 1898.

F. G. BANBURY, Esq., M.P.,
Chairman of Committee of Stockholders, and

W. MORSHEAD, Esq.,
Acting Chairman Shareholders' Protection Committee.

Both of the Central Pacific Railroad Co.

DEAR SIRS,—

When Sir Charles Rivers Wilson visited California, in 1894-5, on behalf of a Committee of dissatisfied holders of Central Pacific stock, I was introduced to him by the Mayor of the City of San Francisco as one specially acquainted with the affairs of that Company, and on whom he could place implicit reliance. We made an appointment to meet next day for an extended interview, which took place accordingly. I brought with me a stenographer, and he was accompanied by a young English lawyer, whose name I am not able to recall.

Sir Rivers opened by calling my attention to the fact that his interest was confined to the case of the stockholders

only, and requesting me to abstain from complaints of public grievances against the Company, as his time was limited, and, much as he might regret, he had no power to remedy public grievances. I promised compliance with this demand, and that, on concluding my statement, I would ask him to pronounce whether I had done so or not.

I then opened to him a chapter of the history of the C. P. R. R. Co., revealing a gross fraud perpetrated on the Company by those having the management of its affairs. I selected a typical case, free from technical law and easily intelligible by all. On concluding he thanked me heartily, acknowledged the pertinence and importance of my statement, and requested me to furnish him with the substance of it from the stenographer's notes, which I promised to do, and did. In reply I received from him a letter, suggesting an apprehension that this wrong had, perhaps, been condoned by ratification at a stockholders' meeting, &c. In reply to this I wrote him a letter, under date of January 17th, 1895, showing that this apprehension was without foundation.

The information thus furnished Sir Rivers enabled him to wring from Mr. Huntington the compromise one per cent. dividends since paid by him, though all mention of it is omitted from his printed report. Those *dividends* (?) amounted last January to over two million dollars.

You may, perhaps, ask a reason for my interest in the doings of a corporation in which I hold no shares. A simple explanation is, that I am deeply interested in the prosperity of the City of San Francisco, where my property lies. The interests of the City are closely linked with those of the C. P. Railroad. This will be apparent to anyone who will take a coloured pencil and mark on the map the lines of the Central road. San Francisco is the only place of importance to which they

lead. The more freight the road carries the greater the City's business. Marking the lines of the S. P. road in similar manner will show that they lead to New Orleans. By it Mr. Huntington proposes to divert the whole overland business to Santa Monica and New Orleans. To accomplish this the control of the Central road is necessary to him, and hence the century lease of the C. P. R. R. road. I enclose, herewith, the substance of my disclosure to Sir Rivers Wilson above referred to, and a copy of my letter to him, of January 17th, 1895; these lines will be sent to both of you, the enclosures in that for Mr. Banbury. The latter being designed for the benefit of the stockholders of the Company, I will request Mr. Banbury to show it to Mr. Morshead and any other interested parties who may apply therefor. Whenever any body of the C. P. stockholders determines on a serious effort to rescue the road from the grasp of Mr. Huntington, I am ready to give them information not easily to be got elsewhere.

I am, Sirs, very respectfully yours,

JOHN T. DOYLE.

Copy Enclosure No. 1.

Substance of disclosure to Sir RIVERS WILSON.

Substance of my statement made to Sir Rivers Wilson, representative of a committee of stockholders of the Central Pacific Railroad Committee on his visit of investigation to California in 1894-5.

The Southern Pacific R.R. started with a line of road extending from San Francisco south to Gilroy, which had been built by Peter Donohue, H. M. Newhall, Charles B. Polhemus and Charles Mayne, under the corporate names of the San Francisco and San Jose Railroad Company, and the Santa Clara and Pajaro Valley Railroad Company. The persons named owned all the bonds, and all the stock of these companies, except about five hundred shares of the stock of the first-named company.

The Southern Pacific Railroad Company was organized in December, 1865, by some eight or ten persons, T. G. Phelps, W. T. Coleman, Chas. N. Fox, and others. Neither the company nor the men who incorporated it had any considerable means, *nothing* was paid in on the stock, and it was in fact a mere paper organisation. About 1869 Messrs. Stanford, Croker, Huntington and Hopkins, who had built the Central Pacific Road, brought from the organizers of the S.P.R.R. the organization and name of the Company, for some trifling sum, and bought also from the persons first above-

named, the stock and bonds of the road they had built from San Francisco to Gilroy, as above-mentioned, and consolidated them with the said S.P.R.R. Company, which thus became the owner of the road described, eighty miles in length from San Francisco to Gilroy. The men who owned its stock and bonds also at the time controlled the management of the Central Pacific Railroad Company. Whether they had yet commenced to sell the shares of the Central road, or were only preparing to do so I do not recollect.

The sales of shares of the Central Pacific stock to parties in England (or in Europe), and the mode by which they were accomplished, the dividends that were paid as bait to induce the credulous English investors to bite, are known to your clients and need not be rehearsed here. After the lapse of some time, the situation so far changed that Stanford, Huntington and Co. held the control of the Central Pacific Company's directors, though they sold the bulk of their stock, the greater part of which had fallen into the hands of European holders. The change of ownership was gradual, but the result was designed and foreseen long in advance.

While this progress of changing the ownership of the Central Pacific road was in progress the persons engaged in selling the stock were gradually extending the Southern Pacific road from Gilroy southwardly to Tres Pinos, and also in the San Joaquin Valley, building from Goshen southwardly toward the state line at Forst Yuma.

It would take too much space to point out here the advantages possessed by the Southern Pacific route over others, but you may assume that it has advantages. Stanford, Huntington and Co. did not put any money—certainly no considerable sum—into the enterprize. They made a mortgage on it for $46,000,000 in advance of construction, and as directors of the Railroad Company made contracts for the

building of the road with another company called the Western Development Company, of which they were the only members, by which the latter company undertook to build and equip the road for a certain sum per mile payable in shares of stock and in these mortgage bonds. The number of shares of stock per mile to be issued I do not recollect with accuracy; the number of bonds was $40,000 per mile of road. They were payable in thirty years, and drew 6% interest per annum. The actual cost of building the road did not, I believe, exceed $26,000 per mile at any point, and much of it was built for considerably less.

The situation then stood thus: The four men who controlled the acts of the Central Pacific Railroad Co. were engaged in building a rival road to it, and were the sole recipients of the bonds and stocks of that rival road. They held all these securities already issued, and had bespoken all that were to be issued. The value, or price obtainable for these securities was of vital concern to them and them alone. On the sale of them they depended for the means of completing their work of constructing the Southern Pacific Railroad.

The principal American market for such securities is, of course, the New York Stock Exchange; if the bonds could be sold there, and a current price established for them, they could be gradually peddled off, as purchasers were found, and meantime with a current quotation established could be made the basis of loans on collateral security. To establish such a quotation became a matter of the highest importance to Mr. Huntington and his associates. They had the bonds listed on the stock board, their character, &c., reported on by a committee of the members, announcements made of their advantages and desirableness, and whatever other steps are resorted to, to effect sales; but without any success. It were tedious to enumerate these details. I remember that at one

time they went so far as to have a lot of the bond seized, under an execution and offered for sale by the sheriff; they were knocked down, if I remember rightly, at 75 per cent.; but all efforts were ineffectual; the public would not buy, and meantime they were piling up a mountain of debt, and their credit was strained almost to the breaking point to carry their financial load. Bear in mind always that the Central Pacific Railroad Company had no interest whatever in selling these bonds or bolstering up their credit; on the contrary, it was interested in the opposite direction, for the funds obtained from their sale were to be applied to building another road destined to be the most formidable competitor of their own. Huntington and Company, who had in their hands the control of the resources and credit of the Central Pacific Company, then prosperous and in good credit, all other means failing, determined to use these resources and credit to accomplish their purpose; and to that end they made a lease of the Southern Pacific road constructed and in process of construction, to the Central Pacific Railroad Company, at a yearly rental of $6,000 per mile of the road so far as completed, and ready for use; the rent to increase *pari passu* with the additional miles of road constructed, which rent the Central Pacific Railroad Company agreed to pay. From this rent *the lessees were at liberty to retain* $3,000 *per mile per year, for operating expenses of the road.* This may at first sight appear a very circuitous mode of establishing a rent of $3,000 per mile per annum, but there was a reason for it, and a reason quite in harmony with the rest of the nefarious scheme of which the lease was a part. It was desirable to give to the bonds an apparent value, independent of the guaranty afforded by the rent; by making it appear that the road was earning enough money to pay all its running expenses and the interest on its bonds

even in its unfinished state, and of course that its future prospects were of the brightest sort. The necessary expenses of keeping the concern agoing—paying its corporate expenses, such as office rent, salaries, &c., and the interest on the bonds was about $3,000 per mile per annum, thus:—

Interest on $40,000 of bonds 6 per cent.	$2,400.00
General expenses, say...	600.00
In all	$3,000.00

People investing in railroad securities naturally look at the earnings and expenses of the road, as a guide to estimate values, and by this crooked device the Southern Pacific road was made to appear, in the financial publications of the day, as earning, while yet unfinished and without a terminus at either end—leading, in fact, from no place to no place—$6,000 per mile per annum, and being operated for fifty per cent. of its gross earnings. Obviously a road through a new country which, in an unfinished condition, could make such a showing as that, had before it the brightest of prospects; the terms of this fraudulent lease therefore were arranged for the purpose of deceiving the public, by holding out false and delusive prospects of its earning capacity. And although this was a fraud, not on the Central road, but on the purchasers of the bonds, it serves to show the dishonest design in the minds of the concocters of the scheme, and illustrate their fraudulent contrivance to bolster up the credit of the Southern Pacific Railroad Company, by the means and credit of the Central road, and enable Messrs. Huntington and Co. to sell their bonds and build the Southern road (the most formidable competitor of the Central) of which they, Huntington & Co., were then and there the directors and trustees. It need scarcely be said that this constituted a

gross fraud on the Central Pacific Railway Company and its stockholders, and that under our law, as under that of all civilized countries, as I have no doubt, the last-named company is entitled to recover from its dishonest trustees all gains and profits of every kind which they have derived from their fraudulent conduct, and this without any participation in risk or allowance for their labour or risk in the venture.

But I have not yet completed the story of the issue of these Southern Pacific bonds. Notwithstanding all the bait put on the hook, as above described, the gudgeons of Wall Street did not bite; they probably looked further than the statements in Poor's "Annual," and took the pains to demand copies of the Central Pacific lease, which revealed to those who could read between the lines a weakness. It contained a clause permitting either party to terminate it on giving a certain notice—I forget now of what length. How did the proposed lenders know but that the lessees might give notice and terminate it, and thus the whole fabric of the Southern Pacific credit come tumbling about their ears? A firm of German bankers in New York pointed out this weak spot in Mr. Huntington's case to him, and offered if it were remedied to take up the loan, and float the first lot of bonds at a price named. As if to emphasize the fraud on the Central Pacific Company, and illustrate more clearly if possible, the Germans insisted on, and Messrs. Huntington & Co. consented to, a modification of the lease to the Central Pacific Company, whereby it was made to continue in force absolutely for five years and thereafter, until the Southern Pacific should have extended its road so far as to connect directly by rail with the waters of the Atlantic. This modification was made and executed, and the preliminaries having all been duly arranged, and the comedy fully rehearsed, there appeared on a certain

morning an advertisement* in the *New York Tribune*, announcing that the Southern Pacific Railroad Company would receive sealed proposals for ten million dollars of their six per cent. first mortgage bonds, describing them, down to an hour named, &c., &c., in the usual way. My recollection is that this advertisement was only published once or so, and that the paper of the next day mentioned in the financial news that the whole lot offered had been taken by Messrs. Speyer & Co. at a rate named (90, I believe). This was represented as a successful financial coup. Thereafter the bonds began to be peddled out in moderate lots at the stock board, at a very slight advance, and gradually the Germans worked off the whole lot they had taken, and a quotation was thus established for the bonds. They continued to be supplied to the New York market thereafter until the whole issue was ultimately worked off. To avoid prolixity, I omit all detail as to the bonds of the S.P. of Arizona and the S.P. of New Mexico; they only amounted to about $16,000,000 in all, and did not probably yield as large a profit as those of the S.P. of California, though the principal is, of course, the same.

As to the amount of profit made by the dishonest directors out of these fraudulent transactions, we can only approximate to it; what is certain is that all the money that went into the building of the Southern Pacific road came from the proceeds of these bonds, which probably averaged the sellers about 95 per cent. of par. Assuming the cost of construction at $25,000 per mile, this would show a profit of $13,000 per mile on miles of road within this State in money,

* This advertisement is worth reading; it will be found in the *New York World* (or *Tribune*), probably both, of March 11th and 12th, 1880, nvites subscriptions from New York, Boston, Franckfort-on-the-Main, London, Amsterdam and Berlin, and allows forty-eight hours to hear from these places.

besides the whole of the stock of the Southern Pacific Railroad Company, which was issued for construction.

The statute of limitation has not run against this demand, as well because of the character of the demand itself, as because the same trustees who perpetuated the wrong had remained in control of the Central Pacific direction ever since, and have never disclosed the wrong to the defrauded shareholders.

The remedy for these wrongs—for this is only a specimen of many—is an action by or on behalf of the Central Pacific Railroad Company, against the parties guilty of the wrongs, and the representatives of those deceased for an account of these profits, as none of the stock of the Southern Pacific Railroad Company has got into innocent hands, the recovery of it almost *in globo* would appear nearly a certainty; the money recovery as against the representatives of the deceased members of the concern will doubtless present some difficulties; without here occupying time with a discussion of means, I am of the opinion that two of them are not out of reach of the law. The first step should be to take possession of the corporate organization of the Central Pacific Company, so as to have complete control of its archives, books, papers, &c., &c., and the command of its clerical force for the use and benefit of its stockholders. The instant that the employées realize that the control of the concern has passed out of the hands of the old clique, and that their tenure of office does not any longer depend on serving their personal ends you will begin to receive information from many quarters which you would otherwise search and ask for in vain. Old correspondence and book entries would also doubtless come to light, the importance of which can scarcely be exaggerated. In fact, the reasons for this step are so many and so cogent as to be recognized at once. The objection that to accomplish

it will require the English stockholders to put their shares in their own names, and thus expose themselves to liability for the debts of the Company, is easily obviated. Mr. Huntington must be laughing in his sleeve at the people who, after recognizing that they were duped into buying his stock, allow themselves to be again duped into letting it remain under the control of the knaves who sold it to them by this boogaboo of liability of debts.

The rest of the statement related to other matters.

Copy Enclosure No. 2.

Letter of 17 January, 1895, Hon. JOHN T. DOYLE to Sir CHARLES RIVERS WILSON.

[*Copy of letter to Sir Rivers Wilson, in reply to one of his, acknowledged in it.*]

San Francisco,
January 17*th*, 1895.

Sir Charles Rivers Wilson.

My dear Sir,—

In reply to suggestions in your favour of the 4th inst., it seems to me that you attach undue importance to the alleged ratification, by Stockholders, of the dishonest acts of the directors. It is, I think, universally accepted among the legal profession here, that under our corporation law all that a Stockholders' meeting can do is *just what the statute or the constitution declares they may, and nothing more.* All the general powers of the corporation are exercised by the Board of Directors alone. Hence ratification by the stockholders of the directors' acts is out of the question. Quite independent of this, however, there can be no pretence of good faith about any of these alleged ratifications. Ratification involved necessarily the action of two minds—the one doing an act without adequate authority; the other, after full information and opportunity for deliberation, approving,

or assenting to, or condoning what has been done. Here the same men who committed and profited by the frauds proceeded (pretending to act in another capacity) to ratify their own acts, while the people whose ratification was desired were kept in ignorance of these acts. It requires some assurance to claim seriously any validity for such a ratification. Again, it will hardly be denied that after a man has sold his Stock in a corporation, and endorsed and delivered the certificate, the legal title that (until transfer on the books) still remains in him is held in trust for the purchaser, to whom he has delivered the certificate. So also of his power to vote on the Stock. It is not a power conferred on him ; in fact, it is not properly a power he practically possesses, but which he is apparently clothed with by reason of the negligence of the vendee of the Stock; if he exercises it it must be held in trust for, and in the interest of, his vendee ; therefore, whether the person who cast the pretended vote of ratification was Mr. Huntington himself, or some creature of his acting under his dictation, it was equally a fraud, and not in any sense a true ratification. The sale of the shares and delivery of the endorsed certificate representing them, was in fact a revocation of any proxy previously granted by the vendor, and an act done under it invalid. If, indeed, the holder of the proxy, in ignorance of the sale, continued to act under it in good faith, and the rights of the third party were affected, his acts would have to be upheld on the principle of *estoppel in pais ;* and, again, it officers were elected by the votes of such revoked proxies, their acts would be valid, but that would be on another principle, which respects the acts of officers *de facto ;* but no such case is here presented. The parties who cast the votes, and those who directed how they should be cast, were equally destitute of any claim to good faith, and the alleged ratifications voted under old proxies, given by persons who

afterwards parted with their stock, so far from being impediments to your recovery, are really calculated to aid it; they are *indicia* of an original fraudulent and dishonest design to accomplish just what they have done, viz., sell off the stock of the Company by means of alluring dividends, and yet retain the management of its affairs in their own hands by frightening the purchasers from transferring their shares by the suggestion of personal responsibility for debts. I have no knowledge whether the votes under these proxies were actually cast by Messrs. Huntington and associates, or by creatures of theirs, nor is it of the slightest importance; for there can be no doubt it was done under their direction, and for their benefit. The more they strive to cover it up, the more plainly they betray the fraudulent intent. When you find men acting in an unusual or extraordinary manner, not once only, but through a series of years, and systematically, you must assume that they have some motive and settled intention. It was not by mere accident that Messrs. Huntington and Co., year after year elected and re-elected themselves to be trustees of this Company by the use of proxies given by men who had long since sold their stock, nor could they have been ignorant that in doing so they were perpetrating a shameful fraud on the true owners of the shares, by the votes of which they were elected. Their conduct was dishonourable even according to the low moral standard of the exchange; for what claiming to act up to any standard higher than that of a gambling hell, would continue to act and elect himself, under a proxy given by himself, after he had sold his stock? To suppose that a court of equity will sanction such a proceeding is to assume that it will ignore the whole moral code. These considerations and many more which it were tedious to enumerate, make it quite clear that this whole ratification performance,

showing, as it does, a deliberate design of the perpetrators to accomplish the object intimated, while keeping apparently within the letter of the law, only serves to emphasize the fraudulent character of their acts. But the more I reflect on the situation the more clear it becomes that it is supremely important to take the control of the board of directors out of the hands of the conspirators of the election, next April. The bill for relief against these frauds should be filed by the Company in its own name; for although it is true that a stockholder can sue, in such cases, on behalf of the company, and on proof of the facts, have a decree in *its* favour, there is always more or less suspicion attending such suits. The suggestion is prompt that he is merely a discontented member who has a private grievance, which a little blackmail will hush; and that the Company's real interest is represented by the officers chosen by the majority of the stock. The moral effect of this impression cannot but have great weight. In fact, such actions brought by a stockholder, for the Company, have been so frequently compromised that they are generally in bad odour, being accounted "black-mail" suits. I have already adverted to other reasons for this course, the importance of which can scarcely be overrated, viz., the possession of the books, papers and correspondence that will come to the hands of the new directors, in which there can hardly fail to be numerous corroborative proofs; the clerks and minor officers of the Company, too, all of whom have more or less knowledge of facts material in the case, can be appealed to and probably with success, at least in some instances, to disclose what they know on the ground that their duty is to *the Company* which they took service with, and whose bread they have eaten, not to the particular individuals who once were its officers, but have ceased to be such. The number of men likely to be acted on by such considerations as this is

not small. With the control of the direction, will come to you quantities of information on a thousand details which you will otherwise search for in vain. For instance, what do you know about the mortgage of $16,000,000 of April 1, 1889? The annual report says $11,000,000 of the bonds are outstanding; but how did it happen to be necessary to issue that large mortgage (the indebtedness of which goes back certainly to 1886, and probably further) at a time the Company was making dividends, and had no important construction on its hands. This inquiry is quite material in view of the fact that the bonds are still in first hands, and if decreed fraudulent, could be got at for surrender and cancellation. If such a suit were determined on, the unrestricted access to the books and files of the Company which the control of the direction alone can give, would be found indispensable to obtain the necessary proofs. To turn again to the subject of the proposed refunding of the C. P. R. R. Co.'s debt, permit me to suggest some reasons why it seems to me impolitic for the foreign stockholders or their representative to take any part in promoting the legislation; in the first place, no refunding is necessary to protect your interests from foreclosure. Mr. Huntington must be quite aware of this, and if at all candid will so inform you. The United States are an indispensable party to any suit to foreclose the first mortgage, and there is no way of suing the Government in such a case, nor is it clear that any court has jurisdiction of the whole property involved. If, however, you got Congress to legislating on the subject, you will find that before the Bill takes its final shape, it will have engrafted on it features adverse to your clients, and perhaps destructive of any hope of redress for them. What these will be I do not pretend to say, except that they will probably include a confirmation of the ninety year lease of the

C. P. R. R. to the Southern Pacific of Ky. (which was the second monstrous fraud perpetrated on your clients, and which they should have cancelled) and conferring jurisdiction on some court to foreclose the first mortgage as in the Reilly Bill. It would, I imagine, be disagreeable to you to find yourself, at the close of the Congressional Session, credited with the authorship of an enactment which materially complicated the interests of your clients and embarrassed their action. Yet such would be a highly probable result of any co-operation on your part with Mr. Huntington in his present legislative campaign. For he is not one who proceeds frankly and directly to the accomplishment of his objects; he rather approaches by indirection, by "ways that are dark and tricks that are vain." He will probably begin by passing the Reilly Bill through the House. It will be championed as a measure hostile to the roads, or at least severe on them, and many super-conscientious members as desire appear hostile to the companies while really favouring them will find an excuse for voting for the Bill. It will then go to the Senate and either be amended in committee to conform to Mr. Huntington's wishes and the amendment concurred in by the House, or, what is more probable, its form arranged in a conference committee during the last hours of the Session. Exactly what form it will ultimately take, no man but Mr. Huntington and his single confidant on the floor can predict. *Do not flatter yourself that though false to all others he will be true to, or candid with you.* Habits of falsehood, fraud and deception cultivated through years are not suddenly and radically changed in that way. Do your doubt that your clients were deliberately swindled into buying this C. P. stock by men who knew what they were doing? That the dividends which captivated them were declared as a lure to the unwary? Have you the

slightest doubt as to who did the thing and profited by it? I think I know your answer to each of these questions, and I ask finally what reasons in the world you have for believing in the present sincerity of that man, after having been so long victims of his frauds and falsehoods? Independent of these reasons why you should decline co-operation with Mr. Huntington, there are two patent facts. 1. That you cannot in this matter of congressional legislation aid him in the slightest degree, and (2) that he does not stand in need of your help. What you *can* do is, by apparently co-operating with him, make yourself responsible for the proceedings which you may by-and-bye be only anxious to wash your hands of. If the Bill be passed it will probably be by the use of means which you cannot participate in, or even give countenance to. And if Mr. Huntington really wants it passed, and I think he does—and there are enough venal men in Congress to pass it, as, again, I suppose there are—you may with entire safety leave it in his hands. He understands that business in all its details and ramifications. Nor is it, in fact, to aid him in the work that he would detain you in Washington; his object is simply to amuse you there till so late a day that you cannot be back here with your stock in shape to vote before the meeting of the 4th of April next, after which he will laugh at you. I have watched these men pretty closely for the past eighteen years, and I think I know them moderately well. I have more than once been instrumental in hindering them from legislation injurious to the city or the State; I saw that the C. P. Stockholders were being robbed themselves and made the instruments of plundering us, but saw no way to learn who they were or communicate with them, until your arrival here. I regret exceedingly that your engagements did not admit of giving me a day's free communication, for it is impossible to go over even the surface of a

subject so extensive and diversified as this in a single interview of admissible length, and therefore earnestly hope that I may have the pleasure of a much more extended discussion of the subject, in all its bearings, when you return.

I believe I can convince any man who looks at the situation unembarrassed by the ownership of Southern Pacific stock that the interest of the Central Pacific R. R. Co. and of the city of San Francisco are similar; and that they are both distinctly adverse to Mr. Huntington and the Southern Pacific Co., and that by proper steps your clients can not only rescue the bulk of their property from the hands of the sharpers who now control it, and make it once more profitable to themselves, but do so with the hearty good will of the people of California, and of the city of San Francisco, but it is not by co-operating or connubiating with Mr. Huntington that this is to be accomplished; nor is it by any appeal to his sense of justice, or magnanimity, or any other virtuous or manly sentiment, nor by truckling or timidity. In such cases a cowardly policy never wins. At present your clints stand to lose all. If a Refunding Bill passes Congress and Huntington lives, he will buy the Central Road under a foreclosure and pay for it by an issue of the Southern Pacific Bonds. *In that concern he has robbery organized*, and your clients, by co-operating with him, allow their property to be stolen under their noses, under a cowardly apprehension of imaginary dangers, while they leave him in possession of the organization which stands ready provided to your hands, and by which it could be rescued and saved to them.